



**Director of
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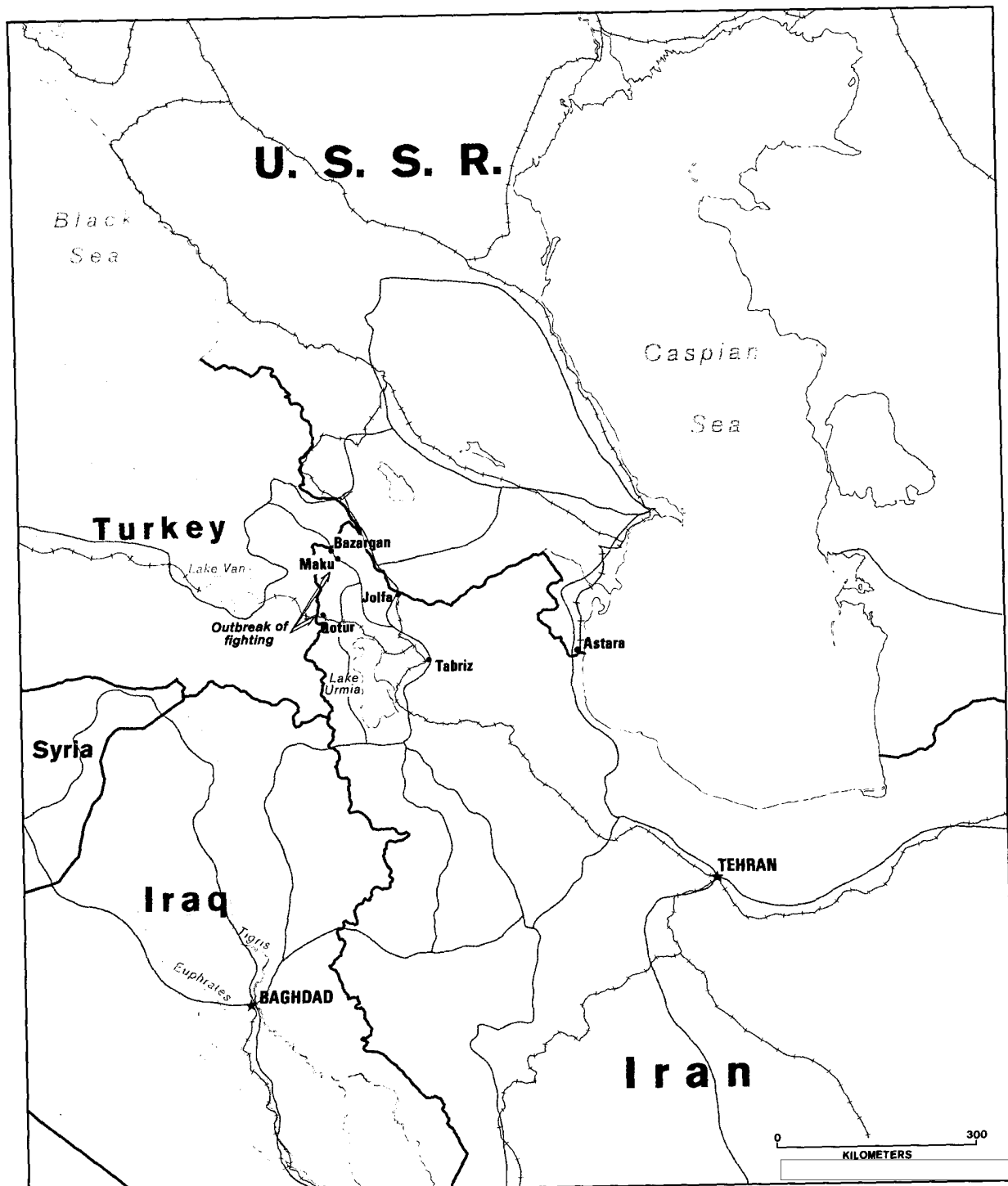
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SITUATION REPORTS

IRAN

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Khomeini's response yesterday to a message from Pope John Paul II made no reference to the hostages. Khomeini reiterated his theme that Iran welcomes the break in relations with the US.

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European Support for Sanctions

The European Parliament may adopt a tough resolution on Iran this week in an effort to influence next week's meeting of EC Foreign Ministers, according to press reports from Strasbourg. Some EC members, however, remain skeptical about sanctions.

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French officials appear reluctant to compromise France's economic stake in Iran. They are pessimistic about the effect of sanctions, are opposed to breaking diplomatic relations, and are concerned that collective Allied pressure could push Iran into dependence on the Soviets.

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Giscard has yet to make a final decision but favoring additional steps by EC member-states.

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BRIEFS AND COMMENTS

USSR-US: Worsening Relations

Soviet propaganda attacks on the US and on the President in particular have become notably harsher in recent days. The attacks indicate a decision to respond sharply to US actions and possibly a decision to accept a substantial deterioration in relations.

Soviet propaganda has accused the President of "hypocritical assurances" on Iran and of "impudent lies" concerning the Soviet Union. The President's boycott of the Olympic Games has been harshly condemned, and his speech last Thursday before the American Society of Newspaper Editors has come under particularly strong attack as confirming that "serious changes are taking place" in American foreign policy.

The theme that US policy has undergone a basic, long-term change was underscored in a public lecture in Leningrad on Sunday in which the audience was advised that the US and the USSR are in for an extended period of tension. This subject has been debated among Soviet spokesmen recently, with some insisting that current US policy merely reflects electoral calculations, and others claiming that relations will continue to worsen for a long time to come due to basic shifts in American policy.

Several recent actions suggest that Moscow has concluded that relations will indeed remain poor for a long time and that US steps require a strong Soviet response. Most notable of these actions have been several press articles alleging "illegal" American espionage activity in the Soviet Union, harassment of US diplomats in Leningrad, tightening of visa issuances to US officials and private citizens, and increased harassment of American tourists in the Soviet Union.

The harsher tone of the treatment given the US is reflected more broadly in this year's May Day slogans.

they stress international tensions more than in the past, and Brezhnev's "peace program," unlike in previous years, is ignored.

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KAMPUCHEA: Food and Seed Shortage

Planned relief efforts to provide 440,000 tons of food and agricultural assistance during the remainder of this year to Kampuchea will leave the country short by about 225,000 tons of food and some 60,000 tons of rice seed.

Food supplies in Kampuchea are nearing exhaustion,

Until the next major harvest begins in December, we believe that a total of 645,000 tons of milled rice or its caloric equivalent will be needed to feed the country's estimated 5.2 million people. The dry season crop now being harvested probably will provide no more than 15,000 to 20,000 tons of milled rice.

Assistance plans of international organizations, the USSR and Soviet Bloc countries, and private agencies call for delivery of about 400,000 tons of food between now and December. Such deliveries would fulfill about two-thirds of Kampuchea's estimated food requirements, leaving a shortfall of some 225,000 tons of food.

In addition, over 100,000 tons of rice seed will be needed this spring to return the country to self-sufficiency in food. Little seed appears available in the western provinces, which contain roughly one-half of Kampuchea's rice-producing land. Relief agency plans for providing 52,000 tons of seed will probably leave the country with a rice seed shortage amounting to about half of its requirements.

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LIBERIA: Situation Stabilizing

The security situation in Monrovia has improved steadily, but tension has surfaced in the ruling military Council.

Many businesses, stores, and schools reopened yesterday, and a number of US citizens are attempting to resume normal business. Roving bands of soldiers have dispersed, apparently in response to stern government warnings that any troops caught harassing citizens or looting would be executed. Travel restrictions apparently will be lifted soon, and the airport and banks are set to reopen.

The government appears to be taking steps to ease Army pressures for revenge on former government officials. [redacted] civilian and military members of the Cabinet agreed on a list of at most 10 persons--ostensibly the most corrupt--who will be executed, while others will have their property confiscated. There also are reports that there soon will be a mass release of individuals who have been arrested over the last three days.

Such moderation may reflect the positive influence of Foreign Minister Matthews, [redacted]

[redacted] Minister of Planning Tipoteh and Minister of State for Presidential Affairs Boley also are having a moderating influence.

There are signs, however, of strain among Cabinet members and within the ruling military People's Redemption Council. Tribal rivalry among the soldiers may be the cause of tension in the Council [redacted]

[redacted] if the Council continues to be dominated by members of Doe's tribe--a minority in the Army--friction is likely to persist.

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TURKEY: Multilateral Aid Pledged

Western governments meeting in Paris yesterday pledged \$1.16 billion in emergency aid to Turkey, the second such package within the past year.

The US and West Germany will be the largest donors, having pledged \$295 million each; Italy pledged \$115 million, and France, Japan, and the EC each pledged \$100 million. A pledging session last month ended in failure when participants were unable to agree on specific aid totals. Success this time around was due at least in part to fears that without a new transfusion of aid the Demirel government would have been hard pressed to survive, let alone carry through with much-needed reforms.

Unlike the \$916 million pledged last year, of which only about half has reach Ankara, aid pledged yesterday involved easy repayment terms that will encourage Turkey to draw on the available funds. The impact on this year's current account, nevertheless, will depend on how quickly the aid reaches Ankara.

The aid package may serve to encourage other government aid, particularly from Saudi Arabia. Riyadh is likely to contribute about \$300 million.

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CANADA-US: Energy Industry Control

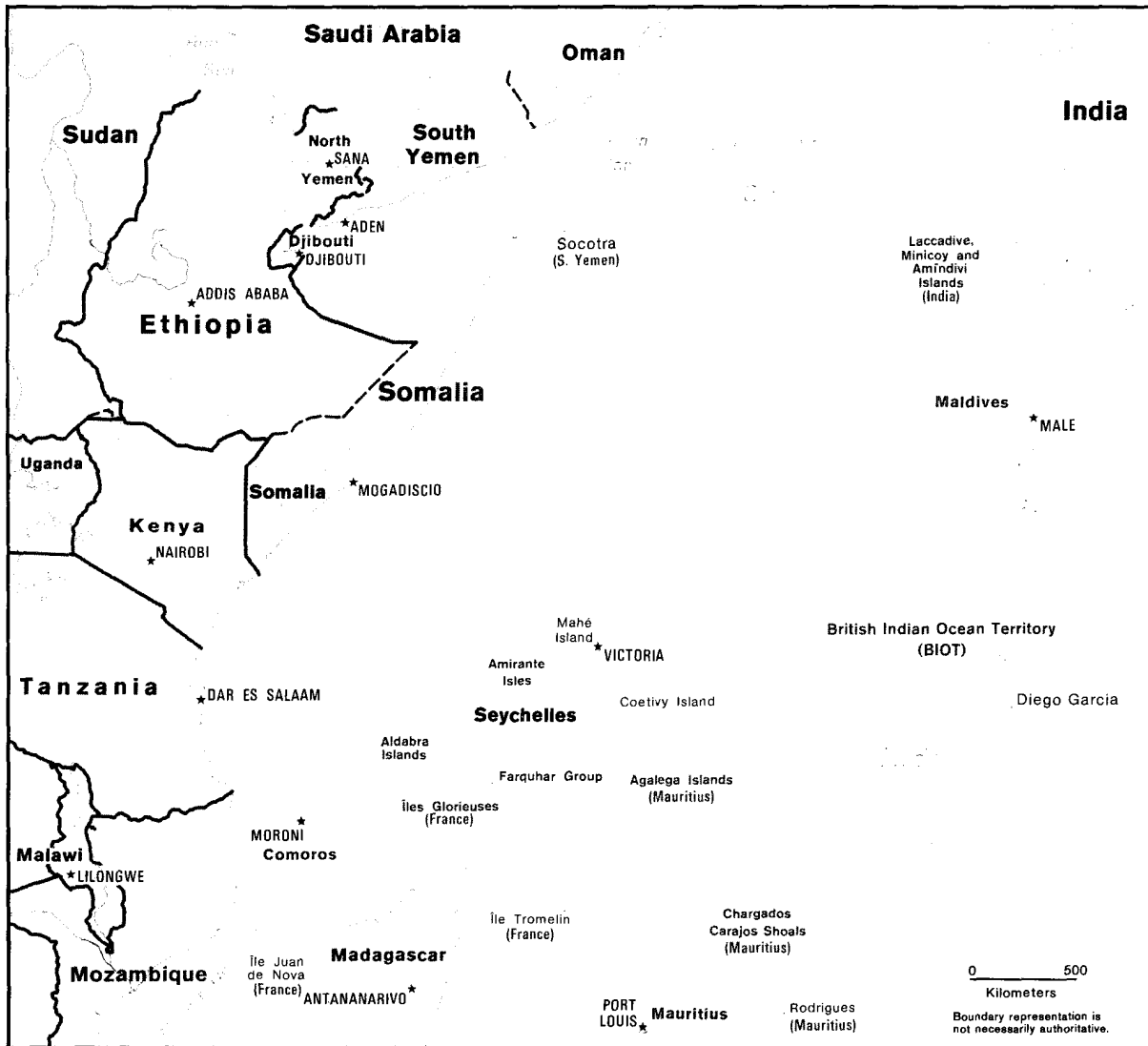
Prime Minister Trudeau's new government has taken a first step toward fulfilling its pledge to increase domestic ownership of Canada's oil and natural gas industry from the present 25 percent to 50 percent by 1990. Ottawa's Foreign Investment Review Agency on Monday rejected the sale of western Canadian oil and natural gas deposits by a US firm to Mobil Oil of Canada, a wholly owned US subsidiary. Presumably the present US owner will have to find a Canadian buyer for its holdings. As envisioned, the Trudeau program is to restrict US acquisitions of existing Canadian oil and gas deposits and limit US equity participation in any new discoveries. Currently US firms own 75 percent of Canada's oil and gas industry.

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SEYCHELLES-USSR: Military Aid

In a reversal of President Rene's policy of refusing all military training from Moscow, eight Seychelles enlisted men departed last month for training in the Soviet Union. Last February the Soviets delivered several armored personnel carriers and field artillery pieces to the Seychelles. Military training previously has been provided by a small Tanzanian advisory group, but President Nyerere's unwillingness to provide additional military assistance appears to have led Rene to turn to Moscow. [REDACTED]

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SOUTH AFRICA: Budget Implications

Black leaders in South Africa are criticizing Pretoria's budget for the 1981 fiscal year because it does little to improve the economic position of the black community. The budget will promote a real economic growth rate of about 6 percent through a \$1.8 billion tax cut, which will primarily benefit whites. The tax cut was made possible by lucrative gold earnings last year that resulted in a record balance-of-payments surplus and doubled mining revenues. Lifting the import surcharge should also stimulate growth by lowering prices of imported capital goods. [REDACTED]

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SPECIAL ANALYSIS

PAKISTAN-AFGHANISTAN: The Refugee Problem

Support for rebels in Afghanistan by substantial numbers of Afghan refugees in the border zones of Pakistan could provoke retaliatory action by Soviet forces. The Afghan male refugees who reenter Afghanistan from Pakistan to defend their tribal homelands return periodically to Pakistani territory to visit their families, to acquire arms and ammunition, and to seek medical treatment. They are included in the "foreign elements" that the Afghan Government and Soviet spokesmen claim are responsible for the widespread resistance in Afghanistan.

Even if it were so inclined, the Pakistani Government could not prevent the movement of small groups of people across the border, which cuts through mountainous terrain in tribal territory over which government forces have never exercised more than limited control.

The Afghan Government and the Soviets so far have been restrained in their reactions to refugee cross-border activities. Last fall the Afghan Government--probably at the urging of Soviet advisers--attempted to alleviate the refugee problem by establishing a grace period during which there would be no reprisals against returning refugees.

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Pakistan: Afghan Refugee Camps



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Although the period was extended, few refugees accepted the offer. [REDACTED]

The Soviets presently are trying to seal the Pakistani-Afghan border from the Afghan side, but their efforts are unlikely to succeed. As time goes on, the Soviets may be tempted to launch air or ground attacks against rebel sanctuaries in Pakistan. The rugged terrain in the border zone would not preclude small cross-border raids by Soviet ground units, although mechanized equipment would be restricted to three or four major crossing points. [REDACTED]

Retaliation Danger Zones

The spring offensive by Afghan and Soviet military forces in the Konar Valley in eastern Afghanistan, which began in early March, increased the flow of refugees into Pakistan across the section of the border north of the Kyber Pass. The Soviets have expanded their anti-guerrilla operations into the provinces south of the Kabul River Valley, making the Parachinar area of the Kurram Valley the primary danger zone. The Kurram Valley is a traditional invasion route into Pakistan from Afghanistan. [REDACTED]

The Refugees

By current estimates more than 700,000 Afghan refugees are located on the Pakistani side of the border. Most are Afghan Pushtun tribesmen taking refuge among their fellow Pushtun tribesmen who populate Pakistan's North-West Frontier Province. Fewer than 110,000 are in Baluchistan. These rural Afghan Pushtuns, with their warrior traditions and conservative Islamic outlook, are among the most active opponents of Communist rule. The number will grow as refugees displaced by the current military operations make their way to Pakistan. [REDACTED]

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[redacted]

There are now 53 concentrations of refugees that in a broad sense can be considered camps. Of these, 23 are in the North-West Frontier Province and 30 are in Baluchistan. The size of these encampments ranges from roughly 500 to 11,000; the number fluctuates as refugees move in and out. [redacted]

No clear pattern emerges on the composition of the refugee groups. Children up to 14 years old constitute a third to half the total number of refugees, and in most camps there are twice as many children as women. The ratio of men to women is high in some camps, low in others. [redacted]

Cross-border tribal ties, combined with the tendency to travel in extended family units, have enabled the refugees to survive without much government support. The need, however, for food, shelter, and sanitation systems is great. Most refugees eventually register with government agencies in order to establish eligibility for relief supplies, including UN aid administered by the Pakistani Government. [redacted]

Outlook

Military activity in the borderlands has intensified and is expected to accelerate. To avoid provoking the Soviets, the Pakistanis may already have tried to move the refugees into camps away from the border. This would also facilitate distribution of relief supplies, allow better control over the movement of refugees in the frontier areas, and reduce the tension that is sure to arise between the refugees and the local population over grazing and water rights and other economically related issues. The refugees, however, have exhibited a reluctance to leave the border area near their homelands and may resist the government's efforts to relocate them. [redacted]

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